



**ARIZONA STATE SENATE**  
*Fifty-Second Legislature, Second Regular Session*

**FACT SHEET FOR H.B. 2561**

sanitary district refunding bonds

Purpose

Allows the board of directors of a sanitary district to issue refunding bonds.

Background

A sanitary district may be formed for the purposes of regulating, purchasing, constructing and operating a sewerage system and for purchasing, establishing, constructing and operating a garbage disposal and treatment system. A sanitary district is a special taxing district with the powers, privileges and immunities generally granted to municipal corporations by the constitution and laws of this state (A.R.S. § 48-2001). A sanitary district with an area of more than 160 acres is required to be governed by a board of directors (BOD) of three members who are qualified electors of the district. A sanitary district with an area of less than 160 acres is required to be governed by the county board of supervisors in which the district is located, who shall serve as the BOD (A.R.S. § 48-2010).

Additionally, the BOD may: 1) acquire or construct the collector sewers that are part of the sewerage system; 2) acquire capacity in a sewage treatment works; or 3) acquire or construct such treatment works as deemed necessary, including a wastewater treatment facility or nonpoint source project (A.R.S. § 48-2042). The BOD may issue improvement bonds for the cost and expense of the improvement. These bonds must be repaid from the special fund consisting of special assessments levied and assessed on the lots fronting and benefiting from the improvement, or if an assessment district has been created, all lots included in the assessment district (A.R.S. § 48-2063). Statute requires the number of installments in which the assessment is payable to correspond to the number of years in which there are bonds to be paid, not to exceed 30 (A.R.S. § 48-2067). Currently, improvement bonds are limited to a maturity date of no more than 41 years.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

***Refunding Bonds***

1. Allows the board of directors (board) of a sanitary district (district) to issue bonds for the purpose of refunding any bonds issued.

2. Stipulates that refunding bonds can only be issued if the total amount of principal of and interest on the refunding bonds does not exceed the total amount of remaining principal of interest on the bonds to be refunded.
3. Requires refunding bonds to be issued and sold and to contain such details as the board prescribes.
4. Stipulates that the interest on refunding bonds is payable on January 1 and July 1 of each year and that the due dates are January 1 and July 1 in the years they are due.

***Use of Net Proceeds of Refunding Bonds***

5. Stipulates that refunding bonds can be:
  - a) exchanged for bonds of at least the same principal amount of the bonds to be refunded;
  - b) sold at, above or below par at a negotiated or public sale; and
  - c) exchanged in part and sold in part.
6. Stipulates that if a refunding bond is sold, the proceeds, monies in the debt service fund, amounts in any reserve fund and any other amounts can be invested if the investment and any reinvestment will mature with interest to provide funds to pay the refunding bond when due or when called for redemption.
7. Requires amounts and investments from the sale of refunded bonds to be deposited in trust with a national banking corporation, or an association authorized to do trust business in this state, that is a member of the Federal Deposit Insurance Corporation or any successor.
8. Stipulates that after being deposited, bonds being refunded are considered to have been paid and have no further interest in the assessments for the bonds being refunded.
9. Requires monies that are invested from the sale of refunded bonds to be invested and reinvested at the board's discretion in the following:
  - a) obligations issued by the United States as to principal and interest; and
  - b) obligations fully guaranteed by the United States as to principal and interest.
10. Allows the treasurer of a district to enter into trust agreements with banking corporations or associations for the handling, safekeeping and administration of the amounts and investments that are derived from, or contributed to, the refunding.

***Modified Assessment***

11. Requires the board, if a refunding bond is issued, to file a modified assessment reflecting the reduction of the assessment.
12. Allows the board to approve a modified assessment without hearing or notice if the assessment does not increase the assessment on any parcel or lot within the district.

13. Requires a hearing to be provided if the modified assessment results in an increase in the assessment to any parcel or lot in the district.

***Security for and Payment of Bonds***

14. Requires refunding bonds to be secured by and payable from the special assessments levied to pay the bonds being refunded.
15. Requires the board, on the issuance of refunding bonds, to cause the remaining unpaid installments of the special assessments to be recalculated and modified so that the amounts to be collected equal the amounts necessary to repay the refunding bonds.
16. Stipulates that assessments survive the payment or defeasance of the bonds being refunded and remain in force and effect, securing the refunded bonds until they are paid in full.
17. Prescribes that special assessments are the same first liens on the property that was assessed for the bonds being refunded, subject only to the lien for general property taxes and prior special assessments.
18. Specifies that the full faith and diligence of the district are irrevocably pledged for the assessment or reassessment, collection and payment of the special assessments.
19. Stipulates that refunding bonds are payable only from a special fund to be established and collected from special assessments.
20. Specifies that the special fund is to be set apart solely to pay the principal of and interest on refunding bonds.

***Collection of Assessments***

21. Allows the treasurer of a district and the county treasurer to provide by agreement for:
  - a) the county treasurer to collect special assessments at the same time and in the same manner for the collection and enforcement of general ad valorem property taxes; and
  - b) compensation of the county treasurer's directly related to the collection of the special assessment.

***Determination of the Board***

22. Stipulates that the determination of the board that the limitations and conditions relating to issuing refunding bonds have been met is conclusive in the absence of fraud or arbitrary and gross abuse of discretion.

***Miscellaneous***

23. Defines terms.
24. Becomes effective on the general effective date.

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House Action

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3 <sup>rd</sup> Read	2/24/16		59-0-1-0

Prepared by Senate Research

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BR/lr